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HUMAN EVENTS

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News Section

STRIKE: *Violence on the prairie* ..... (page 1)

GOP: *Iowa points the way* ..... (page 2)

TVA: *Who's really paying the rates* ..... (page 3)

EDUCATION: *The Fulbright boondoggle* .... (page 3)

FOREIGN AID: *Why India deserves no more* (page 4)

Violence: The Capital turned its attention last week from the deadlocked steel strike to another labor relations situation in which union violence stands out as the issue. The strike involves Wilson & Company packing plants across the country, but the big show took place at the Wilson establishment in Albert Lea, Minnesota.

Students of the labor problem note that not even in the riotous Kohler strike did the state authorities move to close the plant. In Albert Lea, after mobs of strikers had clashed with non-union workers in the plant, with five persons injured and 20 cars damaged, Minnesota's Democratic Governor Freeman sent state militia into Albert Lea, after the local police (members of a union affiliated with the AFL-CIO) had failed to maintain order.

Instead of protecting workers who wished to enter the plant, the commander of the militia announced "the plant is closed . . . there is martial law. There will be no production. Go on home." The glee of the strikers was not concealed. One of them said, "It makes a beautiful picket line, doesn't it?" pointing to the guardsmen as they stopped workmen at the plant gates. In short, by resorting to violence the strikers won their major objective of getting the plant closed and thereby preventing operation by non-strikers.

The nearby Fairmont Sentinel pointed out that the Governor summarily closed down the plant, "and in this way tipped the scale in favor of the striking union. When he did this Governor Freeman ceased being a referee and became a partisan advocate of the strikers. This is a dangerous and a far reaching move with many serious implications."

With the possible exception of Cedar Rapids, Iowa (where Wilson has a plant), Wilson has not run into any situation similar to that in Albert Lea. Wilson reports that at its plant in Los Angeles 90 per cent of the workers are back on the job, in Kansas City 75 per cent and in Omaha better than 50 per cent. In Omaha, the police gave ample protection to workers who wished to enter the two Wilson plants there.

The labor dispute does not involve wages, but "work rules" and the company's right to set minimum standards of performance. In short, "featherbedding" has become a problem in the packing industry and Wilson is demanding "management's right to manage." In Washington, it is felt that the experience in Albert Lea is bound to be reflected in congressional demands for more labor reform, when Congress assembles in January.

However, the Albert Lea situation carries other political implications which have bearing on the Presidential battle in 1960. The New Ulm (Minn.) *Journal,* edited by Walter K. Mickelson, and the Fairmont *Sentinel* no doubt had this in mind when they remarked: "Sometimes we wonder if our Governor [Freeman] thinks he was elected only to represent labor and only by the votes of organized labor. In this impetuous move [closing the plant at Albert Lea] he has hurt himself with most of the people of Minnesota." As everyone knows in that state, Governor Freeman is the "little boy" of Presidential candidate Senator Hubert Humphrey, the farthest-left hopeful among all Democrats. Scott Schoen, editor of the Redwood Falls (Minn.) *Gazette* (writing in HUMAN EVENTS September 30) said: "Hubert [Humphrey] and Orville [Freeman] are a political team. They are for the same things so consistently that when the average Minnesotan gets mad at one, he is at least peeved at the other." If Freeman tries for a fourth term as governor in 1960, Albert Lea may prove a handicap. And Humphrey—it should be noted—paused at Omaha (on an electioneering tour) to comment on the Wilson strike, saying, "Wilson is living in the dark ages."

The Omaha *World Herald* remarked, "Obviously, Governor Freeman felt that this was no time to permit statesmanship to rise above politics."

An additional threat hangs over Minnesota for this closing of the Wilson plant. The Chicago *Tribune* in an editorial reminded its readers that police in the Windy City do not tolerate picket line violence and play it neutral in labor disputes which is one reason, says the *Tribune,* why Chicago is attracting new industries. The

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paper then hints that perhaps Wilson may ponder this advantage. Will Minnesota, under the Freeman-Humphrey rule, become "another Michigan," watching its plants move to other states where a better business climate prevails?

Not Merely Gossip: Along Diplomatic Row General Twining's dig at the French at the NATO meeting has caused an uproar. Foreign chanceries in Washington's diplomatic quarter say that it wasn't the General at all who said the French had been dragging their feet in the NATO alliance. The story behind the story, they say, is as follows:

When General Twining, Chairman of the US Joint Chiefs of Staff, composed his speech, he included no slight at the French and his theme was actually a warning to NATO allies not to let down their guard because—as Twining said—the spirit of Camp David was not to be taken too seriously and the Russians remained very tricky. This draft of the speech was sent, as is normal procedure, to the State Department for approval. When Twining got it back from State, he found it drastically rewritten, with the theme an attack on France for "foot-dragging" in rearmament. As a good soldier, he gave the revised speech to a small meeting of generals in Paris. Then, an American diplomat "leaked" this top-secret speech to the press. And now General de Gaulle is reported enraged by the incident—scarcely a good augury for the conference with Ike.

But why did the US State Department rewrite the Twining speech in such a manner that the French would be labelled as "foot-dragging?" The word is passed along Diplomatic Row that it was the British who inspired the rewrite of the Twining speech—the British who fear the leadership which France, under de Gaulle, is now asserting on the Continent. The General, with his leisurely attitude towards holding a summit meeting, angers London; and his collaboraton with West Germany violates the old British principle that the Continent should be kept divided.

● The New York *Daily News* noted editorially last week that on his latest speaking tour Nelson Rockefeller said he thinks the "liberal" wing of the Republican party will write the 1960 platform and name the candidate (meaning, we suppose, that Rocky picks Rocky to win).

Commented the *News*: "In that event, the voters once more would have no choice between 'liberal' and conservative nominees—and we'd expect millions of Republicans to sit on their hands Election Day."

● Last week at its 41st annual convention in Chicago the American Farm Bureau Federation urged Congress in a resolution to limit the powers of the Supreme Court, stating: "We are seriously concerned over the present tendency of the Supreme Court to legislate, the acquiescence of the Executive branch in such decisions and the tendency of Congress to yield certain of its legislative powers to the Supreme Court."

Election Gossip: On a small scale, the "Rockefeller Purchase" picture appears in the case of Presidential politics in the city of Washington. In the rest of the country, it is too often erroneously assumed that Washingtonians have no vote. That is true so far as elections in general are concerned, but it does not apply to intra-party contests. Thus, every Presidential year, both major parties hold purely party (sometimes referred to as "primary") contests in the Capital to choose delegates—eight in number—to the national conventions.

In the past week, Republican circles have been aroused by a story which has been going the rounds but which so far remains unauthenticated—that the Rockefeller organization plans to spend $50,000 to capture the District of Columbia delegation to the Chicago convention of 1960.

Two observations are made: (1) this implies a lot of effort and money to win a very small delegation, indicating much eagerness among the followers of Rocky; and (2) if the report about the sum of $50,000 is correct, then Rockefeller expenditures would work out to about $6,000 a delegate. Dopesters, recalling that there will be 1300 delegates to the Chicago convention, are engaging in some multiplication, which suggests that Rocky's nomination fund might run into a fat seven figures.

How to Win: The GOP victory in the by-election in Iowa's 4th Congressional District takes on greater significance than the bare figures indicate. True, John Kyl, Republican candidate, downed Professor Edwin Gilmour, Democrat, by 28,000 to 25,000—reversing the outcome of the 1958 fight in this district, when the late Democrat Steven V. Carter won. Encouraging also to the GOP was the fact that the Democrats, who had won the Ottumwa (industrial) area in 1958 by 2800, last week found their majority in this area reduced to 300.

But the most telling aspect of the triumph of Kyl, a 40-year-old conservative Republican, over Gilmour, a New Deal Democrat, was the highly effective job of organization accomplished by the GOP—of grass roots work and getting out the vote at the precinct level.

Verne Martin, State GOP head, has been a vigorous proponent of "get out the vote" activity and local organization, and the result in the 4th District may owe something not only to local party managers but also to Martin's lead in this matter. Positive effects of the GOP doorbell ringing were highlighted by the electoral statistics of the Ottumwa area, where union labor is strong; here labor failed to bring out the normal Democratic vote, whereas the Republicans (unlike 1958) got out their hard core strength.

Capitol Hill views the Iowa by-election outcome as a good augury for the Republicans in 1960—if they take the lesson of what precinct organization can accomplish. Adherence to sound conservative principles and a conservative program is not enough, as the 1958 election results showed, unless there is political action at the grass roots and precinct level to turn the tide at the polls.

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TVA Rates: Raymond Moley, syndicated columnist for The Associated Newspapers (229 W. 43rd st., New York), tells the story of the Memphis public power plant, which throws some incidental light on the question of who pays TVA power costs.

Moley reports the public power plant in Memphis, which was built so that the Dixon-Yates plant would be unnecessary, is being forced to raise its power rates by 20 per cent to meet costs. The columnist reminds his readers that Memphis' decision to build its own plant was hailed with glee in the "liberal" press as a way of saving TVA and the electricity users of the Tennessee Valley from having to pay "exorbitant" private rates, which Dixon-Yates was supposed to charge for its electricity. Now Memphis has found those Dixon-Yates rates weren't really so "exorbitant" after all; instead, the TVA rates, which Memphis had adopted as "realistic" for consumers to pay, are radically unrealistic.

As one Arkansas newspaper put it: "If municipally produced power in Memphis now costs consumers 20 per cent more than TVA rates, it clearly shows that TVA rates were 20 per cent below costs . . . . We other taxpayers are still paying 20 per cent or more of the power bills for the rest of the TVA empire."

Lausche: Again the name of Senator Frank J. Lausche (D.-Ohio) has come into the discussion of who should be the Democratic Presidential candidate next year. (See HUMAN EVENTS for October 21, 1959.) In a recent *Congressional Quarterly* poll of newspaper editors as to who would be the strongest candidates of each party, Lausche wound up in a tie for fifth place—tied with none other than Senator Hubert Humphrey of Minnesota!

Politicos here know well that Lausche would never be nominated by a Democratic party that is mortgaged to Walter Reuther—but they still find significance in the fact that Lausche, who has done no campaigning at all, came in in a dead heat with the only announced (and most active) candidate, Humphrey. All those ahead of Lausche—Adlai Stevenson and Senators Lyndon Johnson, John Kennedy and Stuart Symington—have long been prominently mentioned in speculation, and all save Stevenson have been hitting the speech-and-banquet trail.

Lausche, observers here recall, has said he should not be counted out of next year's Ohio Presidential primary —where Governor Mike DiSalle hopes to be favorite son but may face a fight from Kennedy. Were Lausche to enter and beat these two—as even Kennedy's private polls indicate he would—he would go to the convention next July with Ohio's 64 votes and, if he receives the southern support which Senator Richard Russell of Georgia suggested he could have in 1956, Lausche could well have a voice in the selection of the Democratic candidate.

Whether Lausche plays a part or not in the Democratic fracas, the *Congressional Quarterly* poll offers another instance of the recrudescence of conservative sentiment throughout the country.

Economy-Minded Douglas: HUMAN EVENTS once referred to Senator Paul Douglas as the man who pinches pennies and blows billions. But a recent report by the Chicago *Tribune* shows that he isn't even frugal when it comes to pennies. Says the *Tribune*:

"The first disclosure of the payrolls of United States Senators in 11 years shows Paul H. Douglas, Illinois Democrat, right up there with 32 assistants in his private army at a cost of $138,400 a year. The Senator is fond of preaching economy while voting the other way. If he really wants to contribute something, he can disband his entourage on the ground that it is unnecessary. The box score of performance put out by the left wing New Deal outfit known as Americans for Democratic Action [see "Rating Your Members of Congress," HUMAN EVENTS, December 2] shows Senator Douglas was 100 per cent in the ADA bag for big, costly, and Socialist Government."

Cuba: Last week in Miami a refugee Cuban Catholic priest, the Rev. Eduardo Aguirre Garcia, charged that Fidel Castro's latest stunt is to form a national church independent of the Vatican for the sugar country's 7,200,000 Catholics. Said Father Garcia: "That is what they do in Communist countries to divide the Church and weaken it." Father Garcia said he and other priests initially backed Castro against Batista, but that "the Communists have been turning the revolution to their own purposes. Now it is dangerous for men of our ideals to remain in Cuba."

Education: A tale of "ugly Americans" in white bucks and cashmere sweaters was unfolded last week in *From Main Street to the Left Bank*, by Walter Adams, professor of economics at Michigan State University, and John A. Garraty, associate professor of history at Columbia.

The book (Michigan State University Press) points out that many of the 800 young "intellectuals" sent to Europe on Fulbright scholarships (an estimated 7,000 Americans attend European colleges) are chosen for "personality" rather than academic standing, have little knowledge of the language or customs of countries they visit, and "for every American [student] who is drawn to Paris by the Bibliotheque Nationale, there are probably a dozen who come to sample the pleasures of the Montmartre . . . .

"The [Fulbright] academic requirements are not high enough, and the Fulbright scholar has little supervision or guidance. After a month of trying to play the game by foreign rules, he's likely to toss in the sponge and go off on a ski trip."

● The student loyalty oath required from collegians who obtain loans from Uncle Sam under the National Defense Education Act of 1958—which seems so repulsive to left-wing politicians and educationists—is welcomed by Sister M. Madeleva, president of St. Mary's

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College, Notre Dame, Indiana. Last week she told parents of students at St. Mary's that it was an honor for a student to sign such an oath.

Sister Madeleva said, "I question the reasonableness of the colleges that are objecting to the conditions of this act," and reported that 22 students had participated in the program at her college this year.

St. Mary's "has been proud to present the affirmative oath of allegiance to the United States and the accompanying [non-Communist] affidavit to the students," the college president added. "The students consider it an honor to take the same oath that every American serviceman takes."

The Aged: Several churches in Denver, Colorado, have pooled resources to build a housing project for elderly and retired people. The project includes both individual houses and apartments, but its residents are not charity cases—they pay their own way, which is much less, however, than it would be for them if they were living separately and alone.

From the beginning the participating churches agreed that the project should "preserve and encourage independence, be free of subsidy and charity, be a center of creative activity" for senior citizens who need a sense of personal significance as much as they need subsistence.

Commenting on the Denver project, Spiritual Mobilization columnist Edward W. Greenfield says: "It is only a step, but a big one, in the right direction. How much better than the pathetic 'social action' of churches asking Government to do what ought to be one of the greatest challenges and opportunities for the churches themselves."

Aid to India: While President Eisenhower was receiving the adulation of Indian crowds, a report on US aid to India was effectively undercutting in advance the all-out drive for more foreign aid to Nehru which the Nation's Capital expects to be one result of the President's tour.

Professor P. T. Bauer of Cambridge University in England, an internationally respected expert on the economy of underdeveloped nations, advanced the thesis that more foreign aid will actually hold back a rise in the Indian standard of living. In a report published by the American Enterprise Association (1012 14th St., NW, Washington 5, D. C.), Bauer criticized India's current Second Five-Year Plan, which puts emphasis on heavy industry to the neglect of education and agricultural development, while the Indians continually face the threat of famine. He pointed out that India has explicitly declared it is seeking to develop a "Socialist pattern of society," and he listed weakness after weakness in Indian planning and development in a scholarly yet scathing indictment of Nehru's policy.

The British professor summed up the situation thus: "The Government has undertaken . . . functions which do not conduce to the rise in living standards, an aim which is indeed receding into the background in current Indian discussions.

"Indian economic policy is leading to a highly centralized society in which both the general pattern of economic life, and activities of particular individuals and enterprises are closely controlled by the Government. At the same time the Government neglects those essential functions which it alone can undertake, and which are necessary for economic advance and for the development of a free and open society."

Bauer also attacks a pending congressional resolution which urges massive US aid specifically "to assure the fulfillment of India's Second Five-Year Plan." This resolution to promote socialism is sponsored by Senators John F. Kennedy (D.-Mass.) and John Sherman Cooper (R.-Ky.), and is supported by two other Democratic Presidential hopefuls, Hubert Humphrey and Adlai Stevenson. Its House sponsors are Chester Bowles (D.-Conn.), considered a potential Democratic "dark horse," and Chester Merrow (R.-N.H.), one of Nelson Rockefeller's leading New Hampshire backers.

Book Events: *Freedom and Federalism,* by Felix Morley (Henry Regnery Co., $5), is a careful examination of the Federal nature of the US Government, showing how Federalism as conceived by the Founding Fathers has permitted Americans to live in freedom. Of special interest in the light of next year's Presidential election is the author's exposition of the constitutional case for States' Rights, and his discussion of the possibility that a States' Rights Presidential candidate might again emerge, and this time throw the election into the House of Representatives. Morley also shows the need for electoral college reform, as advocated by Senators Mundt and Thurmond (see HUMAN EVENTS for November 25, 1959).

● *You Are All Alone,* by Joszef Kovago (Frederick A. Praeger, $6). The former mayor of Budapest tells the story of his life and particularly of the 1956 Hungarian Revolution, as seen by a man who was both with the Freedom Fighters in the streets and high in the inside discussions of the politicians who tried to govern with Imre Nagy. Kovago's exciting eyewitness account lays bare the double-dealing of Anastas Mikoyan, Khrushchev's emissary to Hungary, who promised peace as the Soviet tanks were ready to roll. (This is the same Mikoyan who was wined and dined in the US as part of the "softening-up process" prior to Khrushchev's visit.)

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Article Section

New Outlet for Tax Billions?

A Look at the Depressed Areas Bill

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By NICHOLAS T. NONNENMACHER

THE TAXPAYING AMERICAN PUBLIC—which has coughed up tens of billions in subsidies to farmers—may soon find itself confronted with the first installment on a "new farm program" which could eventually make agricultural subsidies look like small change.

The proposed new program is generally known as "the depressed areas bill" but its official title is: "Area Redevelopment." The bill would set up a system of loans and grants for areas which have experienced chronic unemployment. Its purpose: to extend Federal aid to any geographic center which runs into economic trouble at a time of general prosperity.

The Area Redevelopment program resembles the generation-old farm program in the general economic policy approach it represents—and in the potential cost to taxpayers.

The economic policy approach is the same. A substantial segment of the economy runs into economic distress. In the first case, it is the agricultural segment; in the second, it is those labor markets where demand for labor has dropped without a corresponding drop in labor supply. One possible response to these problems is to let market adjustments take place and (to the extent that the Government tries to help) attempt to ease and facilitate, rather than to obstruct, market adjustments, eliminating barriers to such adjustments where they exist. But the response to the farm problem, years ago, was instead a resort to massive Government intervention designed to counterbalance market pressures, to provide through subsidies what consumers were unwilling to pay. In this general economic policy approach, the proposed Area Redevelopment bill is exactly like the farm program.

In cost, however, some critics fear that the Area Redevelopment program could dwarf the other. In the first place, the protected group would not be just one industry, agriculture; involved would be whole communities, including major employers plus satellite businesses like retail trade and service, as well as public facilities. In the second place, the political realities of a program which helps selected geographic centers are such that the program would inevitably expand to include more types of areas, more programs, more money. The potential cost is staggering.

Yet Area Redevelopment received surprisingly little notice until this year's "Battle of the Budget" focused attention on its cost.

What exactly is the Area Redevelopment program?

The program attempts to treat the problem of economically depressed areas, where a substantial level of joblessness persists for a period of at least as long as two or three years, even during periods of overall national prosperity.

The causes of substantial and persistent unemployment in depressed areas all involve a basic disequilibrium between supply of and demand for labor, but the reasons for that disequilibrium vary.

In many small coal towns throughout Pennsylvania, West Virginia, and Kentucky, the natural resource on which the town's economy was built has been depleted. In other coal towns, the coal is still there, but it is not being mined due to the decline of the coal industry, partly because of the uneconomic cost structure. A large industrial complex like Detroit is depressed partly because of shifts in consumer preferences; in 1955, mass auto demand required the hiring of thousands of additional workers, workers now unemployed because consumers have not chosen to buy so many cars since. Many New England textile towns are depressed because of the migration of that industry, again due largely to an uneconomic cost structure.

A BASIC CAUSE AT WORK in the problem of depressed areas is the influence, throughout much of the Northeast area bounded roughly by the Mississippi on the West and the Ohio on the South, of what employers have come to call a "bad business climate." A bad business climate, according to the United States Chamber of Commerce some years ago, results from such bad habits as these:

(1) Uneconomic labor costs, driven up by poor productivity and frequent work stoppages and slowdowns almost more than unrealistically high wage rates;

(2) Hostile labor-management relations, or relations dominated by belligerent or corrupt unions;

(3) Excessive and discriminatory Government regulations, unfairly administered;

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(4) An unwarranted level of state and local government expenditures—*either* excessive and extravagant *or* inadequate to meet needed community services such as education, highways, health, etc.;

(5) Tax policy based on the theory that it is "good politics" to place a disproportionate share of the tax burden on employers;

(6) Inadequate community cultural and recreational facilities;

(7) General "anti-business" attitudes among the community and its leaders.

A bad business climate is probably rarely a sufficient cause in itself to create a depressed area. But many employers charged with plant location decisions—employers who might otherwise choose to put a plant in an area where labor supply is available in quantity—rule out towns where employer-community relations have deteriorated and costs of business operation are needlessly high.

In the United States, the number of depressed areas is surprisingly small. Considering the vast adjustments which our huge market goes through constantly—shifts in consumer preferences, rapid but uneven technological changes, seasonal and cyclical fluctuations, rises and declines of whole industries—the adjustment mechanism of the relatively free economic system we have is good. The market "works." The areas of chronic economic distress number only about 15 or 20 major labor markets plus a number of smaller communities, an exact list of which would be impossible. The major depressed areas include coal towns like Scranton and Wilkes-Barre, Pennsylvania; textile centers like Lawrence and Lowell, Massachusetts; the special case of Detroit; towns which housed vast railroad shops before the diesels were put in, like Altoona, Pennsylvania, and Cumberland, Maryland.

What is the remedy proposed in the Area Redevelopment bill?

The basic idea is that the Federal Government would move in, construct plants to be available to private employers, finance machinery and equipment for those employers, renovate public facilities like sewage treatment plants and streets, retrain unemployed workers, pay them the equivalent of unemployment insurance benefits during the retraining period, and finally finance studies to be made for thorough overall planning of these areas.

The current legislation envisions a starting price tag of $389.5 million for the program, distributed as follows:

- $200 million for a revolving fund of loans to finance the plants, machinery, and equipment;
- $175 million for loans ($100 million) and the first year's batch of grants ($75 million) for public facilities;
- $10 million for "retraining subsistence payments" to unemployed workers;
- $4.5 million available to consultants and industrial development planners for technical assistance and research.

THE ESTABLISHMENT OF THIS NEW Federal responsibility, however, has had rough legislative sailing. When the bold new program was first conceived in 1955, passage within a year or two, certainly by 1960, seemed assured. Now its fate is in doubt.

The story of this progressive retreat from assured victory to a roughly fifty-fifty chance is a revealing illustration of the political process at work—an encouraging one in some respects.

The idea of Area Redevelopment was conceived in 1955. *The program was spelled out in a general way by the CIO in the July-August issue of its "Economic Outlook" bulletin. It was given specific legislative form in a bill introduced immediately by Senator Paul H. Douglas (D.-Ill.) on July* 28, 1955. *At this time, the price tag was only* $200 *million.*

Early in the 1956 session of Congress, Senator Douglas staged hearings in Washington and in the depressed areas themselves, building up steam behind the program. The Banking and Currency Committee reported out a bill, raising the dollar totals to $300 million. On the Senate floor, the price was marked up again to $325 million, at which point it passed by a whopping 60-30 margin. Area Redevelopment failed to pass Congress in 1956 only because of a last-minute log-jam in the House of Representatives.

With such broad support, ultimate passage of the depressed areas bill seemed assured. But the first hint of difficulties came in 1957 when, despite the two-to-one Senate vote a year earlier, proponents failed to marshal a Banking Committee majority to report a bill. The change was due largely to a reversal of position by three Senators: Chairman J. William Fulbright (D.-Ark.), J. Allen Frear (D.-Del.), and Prescott Bush (R.-Conn.).

In 1958, however, the interim election of Democrat William Proxmire in Wisconsin led to a reshuffle of Committee membership, with a majority of Area Redevelopment proponents once again taking over. Again the price tag was marked up and the bill reported. On the Senate floor, this time with vigorous opposition led by Senators Fulbright and Bush, the vote was closer: 46 to 36. This time, the House had more time to act and put it across by a 176 to 130 vote. The President vetoed this bill.

The election results last year were held by Area Redevelopment proponents as a demonstration of the

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political potency of their case. Claims that the depressed areas issue carried much weight in November, 1958 appear somewhat dubious in view of the fact that out of 12 states where Democrats captured Republican Senate seats, only two (West Virginia and Michigan) stood to gain from the Area Redevelopment program; or the fact that in one of the two states where the issue counted heaviest (Pennsylvania, the other being West Virginia), GOP candidate Hugh Scott upset a Governor whose principal achievement in the state had been a state-level "little Douglas" depressed areas program similar to the Federal program vetoed by the President.

Regardless of the role of the depressed areas issue in the election, one thing was clear: its immediate passage now seemed assured. Fifteen new Democratic Senators were taking office, every one of them committed to the hilt for a "strong" Area Redevelopment bill. Majority Leader Lyndon B. Johnson (D.-Tex.) listed Area Redevelopment on his 12-point "must" program. Americans for Democratic Action, the AFL-CIO, and the Democratic Advisory Council confidently called for early passage, so as to allow time for easily overriding a veto.

When the Area Redevelopment bill hit the Senate floor in 1959, sponsors were confident; the only real question seemed to be whether or not a two-thirds margin could be mustered so as to indicate sufficient strength for overriding the expected veto later.

Instead, when the votes were counted, this bill which had twice whipped through narrowly-balanced Senates by top-heavy votes just squeaked by a "liberal"-dominated Senate, 49-46 (with two out of three absentees being known opponents). The closeness of that vote stopped the forward motion of Area Redevelopment dead in its tracks. The House didn't even bother to bring it to the floor.

This dramatic reversal was due to many influences. In general, there was the trend of public opinion toward fiscal conservatism and restraint which became so obvious during the summer of 1959. Part of the blame lay with the political and legislative ineptness of the sponsors. Part of the credit lay with the new-found cohesiveness of the Senate Republicans, only four of whom broke ranks on the key vote.

BUT BASICALLY, THE EXPLANATION is more involved than the mere superficial aspects of the immediate legislative situation in 1959. The gradual welling-up of opposition to Area Redevelopment grew over the course of three or four years for a deep-seated political reason —"political" in the broad sense of the term. People and their representatives in Congress simply began to realize that subsidies for depressed areas were not available from the Federal Government as "free" gifts, that in fact there was no such thing as something-for-nothing.

The political appeal of Area Redevelopment turned out to be a two-edged knife which began to cut both ways politically. People awoke to the fact that subsidies for depressed areas would affect their own economic well-being in two ways. First, their own communities would have to compete against Federal subsidies available in the relatively few eligible "depressed areas." Second, the subsidies would come out of the pockets of all taxpayers, including the very communities which lost out on industrial prospects as a result of the subsidies available in depressed areas.

Furthermore, representatives in Congress from non-depressed areas began to realize the political significance of these facts. They came to view a vote for Area Redevelopment no longer as a vote to collaborate in a warm-hearted helping hand to distressed communities, but instead as a raid on the taxpayers of their own communities to finance their own competition for jobs.

Thus, while conservative opponents had stressed "principles" and the violation of the free enterprise system, the actual opposition materialized out of a practical awareness of political realities.

Is there perhaps a lesson here? Can fiscal soundness be as politically popular as the something-for-nothing approach? If so, the implications would be extremely encouraging to conservatives.

THE POLITICAL REALITIES are not the only practical difficulty with Area Redevelopment. The debate has generally ranged in terms of emotional appeals to help the needy on the one side and familiar appeals to free enterprise principles on the other. The sound and fury has contained little in the way of a hard look at whether or not the needy would in fact be helped effectively by this program.

Few indeed are those who have bothered to consider what Area Redevelopment would look like in practice. What might happen if the bill did pass eventually? What kind of animal would be born?

The answer is, of course, largely conjecture. But it is useful to delineate some possibilities which might reasonably be expected.

Industrial plant location experts presumably would not ignore financial inducements available in depressed area locations, in the form of plant shells, machinery, and equipment. Because of this, it is reasonable to assume that some plants would be set up in depressed areas as a result of Federal inducements. Conceivably, some would operate successfully.

On the other hand, it is clear that Area Redevelopment does next to nothing about the original causes

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of economic distress. Would those causes reassert themselves? Would plants set up under the Federal program find that high costs made profitable operation impossible? Finally—a very significant question—what would the Federal Government's responsibility be if a plant established under the Federal program turned out to be unprofitable? Normally, under competition, a high-cost plant would be discontinued. But would the Federal Government, having been responsible for getting that plant there, be responsible for keeping it in operation—at a loss both to the business involved and to the community as a whole, as an uneconomic use of resources?

Such questions have never been fully explored.

ANOTHER TORRENT OF PRACTICAL DIFFICULTIES flows from the so-called "run-away shop" provision. The Area Redevelopment program as now written contains a requirement that Federal aid is not extended to "establishments relocating from one area to another when such assistance will result in substantial detriment to the area of original location by increasing unemployment."

In theory, this is a necessary precaution to prevent the use of Federal funds by "fly-by-night" operators jumping from one plant to another to take advantage of Federal inducements, heedless of the unemployment created in their wake. But in practice, this provision would raise some thorny problems of interpretation. Suppose an employer has two plants, A and B, and sets up a third, plant C, in a depressed area under this Federal program. At the same time he does so, business is good and the expansion is genuine—he lays off no one at plants A or B.

But a year later, a recession comes and he must retrench by one-third. Is he likely to cut back at the new plant C? Probably not. More likely the lay-offs will come at plant A or B. In this instance, the existence of plant C, with Federal aid, is causing unemployment at plant A—certainly the unemployed workers will be convinced of that. Is the Federal Government then to step in and tell this employer which facility to run and which to shut down?

Or, entirely apart from actual reductions in employment elsewhere, what about the *new* jobs which every community's annual crop of high school graduates looks for? How will these communities react when specific industrial prospects turn away from plant locations there in favor of Federally-built plants in depressed areas? A dynamic young chamber of commerce manager from Bridgeport, Connecticut, told a congressional committee in 1957:

"It is necessary that Bridgeport business and industry create about 1,100 new jobs every year to take care of our young people coming into the labor market. You can perhaps then understand our resentment of any Federal proposal that will have the result of subsidizing efforts of other communities who are competing with us in the constant search for payrolls."

A final practical possibility is that the Area Redevelopment idea contains so many of these operational problems, so many fuzzy legal points, so many necessary qualifications and restrictions that the whole program, if passed, could flounder in a morass of plans, delays, approvals, red tape, and overdetailed bureaucracy.

BUT IT IS POSSIBLE that Area Redevelopment, particularly if it is passed and proven inadequate to abolish chronic unemployment from high-cost areas, may be just a prelude to something of more basic significance: greater Government intervention in industrial location generally.

Already many unions have stressed plant location restrictions in union contracts. David Dubinsky's Ladies' Garment Workers collected a quarter of a million dollars from one employer as payment for the privilege of moving his plant to a different location. The Textile Workers' Union has explored ways of blocking management's selection of plant location. A precedent can be found in England where employers some time ago lost the freedom of decision over where they could operate their own businesses.

This larger goal of Government intervention in plant location decisions carries great significance which employer organizations, with characteristic lack of foresight, have thus far ignored.

But if short-run political considerations came to dictate plant location decisions, rather than employer reactions to trends in consumer preferences and tastes, markets, technological progress, and cost considerations, a serious misallocation of resources could result. Not only would the regulation itself diminish the effective functioning of market forces, but economic results for consumers generally would be impaired.

This is probably the greatest long-range danger inherent in the proposed Area Redevelopment program—one with basic implications for a free market economy.

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